

Course Meets MWF 09:00AM - 9:50AM, Baxter 114

Contact

Instructor: Professor Suting Hong
Office: Baxter 129
Office Hours: Mondays 2-4pm, Wednesdays 2-4pm, Fridays 1-2pm.
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Course Description and Objectives

This is an advanced undergraduate level course that examines selected topics in industrial organization. Industrial organization is a branch of applied microeconomics that studies the causes and effects of firms' competitive behaviors under various market structures. We focus on firms' business strategies in imperfectly competitive environments. We will study theoretical models and empirical evidence for a wide variety of market phenomena such as price wars, price discrimination, collusion, and mergers. Industrial organization is terrifically useful for those interested in business, public policy, and law, and even has implications for international trade.

Prerequisites

1. Intermediate Microeconomics (Econ 291), and Econometrics (Econ 253).
2. Simple game theory will be frequently used in this course.
3. You should be comfortable enough with calculus to differentiate fairly simple functions.

Textbook and Course Materials

Required textbook: Lynne Pepall, Dan Richards, and George Norman, *Industrial Organization: Contemporary Theory and Empirical Applications*, Blackwell Publishing, 5th edition. Older print editions are okay.

Recommended textbook: Oz Shy, *Industrial Organization: Theory and Applications*, MIT Press, 1996.

Journal papers: We will read and discuss academic journal papers in class.

Canvas: I will post lecture notes, additional study material, and announcements for this course on Canvas. Please check the site often. Lecture notes will generally be posted in advance of the lecture we cover them in. I recommend that you print them out and bring them to class so that you can take notes on them.

Grading

Exams: There will be TWO closed-book exams: exam 1 on Oct. 2nd and exam 2 on November 20th. There will be **NO** make-up exams.

Homework: Homework will be posted on Canvas. You may work in groups but you should not turn in identical copies. Copying other students' work is definitely cheating. **No late** homework is accepted.

Class discussion: Each student will be assigned papers for which he will lead the class discussion. All the students are required to read the paper before class and to participate in the discussion. I will assess how organized and clear you are when leading a discussion, and will also grade participation when you are not leading a discussion.

Papers: You are required to write a paper on a topic of your choice within the broad area of industrial organization. Your paper should provide an in-depth analysis using real world data. You may work on an industry-level case study or policy evaluation, or examine an individual firm's competitive conduct. I expect 15-20 double-spaced pages of 12-point font text. This does not include references, tables, and figures. You should be careful to document your paper correctly using appropriate citation format. Quality of analysis as well as clarity of style and organization will determine your grade. Paper presentations are scheduled in the last week of class.

Over the course of the semester, students will choose a topic, compile a reading list, gather data, analyze data, write a draft, and present the work. To facilitate completing the final project, there will be several intermediate steps that are due as noted below. You are encouraged to start working on the paper early and see me for possible guidance.

October 7 th	One paragraph description of paper topic due
October 21 st	Topic proposal due*
November 13th	Report of preliminary analysis results**
December 11th	Final paper due

*The topic proposal should be a 2-3 page document detailing your proposed term paper. Focus on the question you are asking and how you plan to answer that question. Specifically, you should explain what kind of data you need and how you plan to execute analysis. A summary of the most relevant articles should be included and how your work builds on or differs from the body of existing knowledge.

**I expect you to report preliminary results for the paper.

Your grades will be based on the following:

Homework	20%
Two Exams	20% each
Class Discussion	15%

Paper	25%
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I will apply the following rule to all of your grades:

Grade	Percent Score
A	90-94
A-	88-89
B+	85-87
B	80-84
B-	78-79
C+	75-77
C	70-74
C-	68-69
D	60-67
F	Less than 60

Grade Recording:

I will be using Canvas to record your grades on homework and exams. Please note that the scores in Canvas are NOT weighted according to the weighting scheme outlined above. You can use Canvas to keep track of your scores on the various items, but please remember that these scores are not weighted and therefore may not be representative of your letter grade in the class.

Course outline:

*Tentative, changes might apply.

Topics/Papers	Textbook Chapter
Introduction	1
Review of Micro	2
Market Structure and Market Power	3
Price Discrimination- Third Degree Price Discrimination	5
First Degree Price Discrimination, Two-part pricing, Block pricing	6.1
Scott et al. (2003)	
Second Degree Price Discrimination	6.2
Nevo and Wolfram (2002)	
Cournot Competition	9
Wolfram (1999)	
Bertrand Model	10
Bertrand and Cournot Comparison	
Borenstein (1989)	
Product Differentiation	10.3, 10.4
Dynamic Games and Stackelberg Model	11
Limit Pricing and Entry Deterrence	12
Goolsbee and Syverson (2008)	
Collusion	14

Porter (1983)	
Mergers	15
Vertical Price Restraints	17
Hastings (2004)	
Advertising	19
Ackerberg (2001)	

Academic Paper Reading List

Scott, Zettelmeyer, and Silva-Risso, 2003, “Consumer Information and Discrimination: Does the Internet Affect the Pricing of New Cars to Women and Minorities?” *Quantitative Marketing and Economics* 1(March): 65-92.

Nevo, Aviv and Catherine Wolfram. 2002. “Why Do Manufacturers Issue Coupons? An Empirical Analysis of Breakfast Cereals,” *RAND Journal of Economics*.

Wolfram, Catherine. 1999. “Measuring Duopoly Power in the British Electricity Spot Market,” *American Economic Review*.

Borenstein, Severin. 1989. “Hubs and High Fares: Dominance and Market Power in the U.S. Airline Industry,” *Rand Journal of Economics*.

Goolsbee, Austan and Chad Syverson. 2008. “How Do Incumbents Respond to the Threat of Entry? Evidence from the Major Airlines,” *Quarterly Journal of Economics*

Porter, Robert. 1983. “A Study of Cartel Stability: The Joint Executive Committee, 1880-1886,” *The Bell Journal of Economics*.

Hastings, Justine. 2004. “Vertical Relationships and Competition in Retail Gasoline Markets: Empirical Evidence from Contract Changes in Southern California,” *American Economic Review*.

Ackerberg, Daniel. 2001. “Empirically Distinguishing Informative and Prestige Effects of Advertising,” *Rand Journal of Economics*.